GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3375
ANSWERED ON:12.05.2006
LORD KRISHNA BANK
Manoj Dr. K.S.

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is having any specific plans to save the Kerala base Lord Krishna Bank from a probable collapse, as the Federal Bank has decided not to take over the Lord Krishna Bank;

(b) if so, whether the Government consider to merge it with a nationalized Bank;

(c) if so, the details thereof alongwith present staius;

(d) the manner in which such banks are monitor;

(e) the action taken by the Government in case of violation of RBI guidelines;

(f) whether the RBI is aware that Lord Krishna Bank is having minimum exposure to agricultural loans, educational loans and priority sector advances;

(g) if so, the details thereof; and

(h) the steps taken by the Government to improve the condition of Lord Krishna Bank?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a): The Lord Krishna Bank is under directions issued by Reserve Bank of India (RBI) under Section 3SA of the Banking Regulation Act, 1949.

(b) & (e) Presently, no such proposal is under consideration of the Government.

(d) & (e): The private sector banks are regulated and supervised by Reserve Bank of India through the Board for Financial Supervision (BFS) and appropriate action is taken to protect the interests of its depositors and the banking system.. RBI has, inter-alia, taken the following steps to strengthen the banking system:-
Enhancing transparency and disclosure requirements for published accounts
Introduction of capital adequacy standards on the lines of the Basel Committee norms;
Prudential norms on asset classification, income recognition and provisioning.
Introduction of off-site monitoring system and strengthening of the supervisory framework /introduction of Risk based Supervision for banks.
Introduction of a framework for Prompt Corrective Action (PCA). Further, RBI is vested with powers under the provision of Section 47 (A)(B) of the Banking Regulation Act, 1949 to impose penalty on banks for violating RBI guidelines.

(f) & (g) During the year 2003-04 and 2004-05, the lord Krishna Bank has financed 45.4% and 44.2% of its Net Bank Credit (NBC) to the Priority Sector a against the stipulation of 40% of NBC, and 18.7% and 11.4% of its NBC to Agriculture Sector, as Â»aamst the stipulation of 18%. The Education Loan granted by the above bank on the last reporting Friday of March, 2004 and 2005 was Rs.2.15 and 3.24 crore, respectively. Though, Govt. has not prescribed any targets for education loans. However, the banks are encouraged to increase finance under education loan portfolio.

(h) In view of the deteriorated financial and otto adverse findings of Annual Financial Inspection as on September 30, 1997, the bank was placed under Quarterly Monitoring System (QMS) which broadly covers areas such as financial position, asset quaisty, profitability, NPA recovery, CRAR, etc. From April, 2001, the bank has been put up under monthly monitoring to ascertain the movement of its financial and performance parameters on a more frequent periodicity. The performance of the bank is regularly monitored and put up to Board for Financial Supervision every month and instructions are issued to the bank, wherever considered necessary.